

# **Horseheath Parish Council**

## **RISK MANAGEMENT STRATEGY & SCHEME**

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### 1. Introduction

1.1 This document forms Horseheath Parish Council's Risk Management Strategy. It sets out:

- What risk management is;
- Why the Parish Council needs a risk management strategy;
- The Parish Council's philosophy on risk management;
- The risk management process;
- Roles and responsibilities;
- Future monitoring.

1.2 The objectives of this strategy are to:

- Further develop risk management and raise its profile across the Parish Council;
- Integrate risk management into the culture of the organisation;
- Embed risk management through the ownership and management of risk as part of all decision making processes; and
- Manage risk in accordance with best practice.

### 2. What Risk Management is

2.1 *'Risk is the threat that an event or action will adversely affect an organisation's ability to achieve its objectives and to successfully execute its strategies. Risk management is the process by which risks are identified, evaluated and controlled. It is a key element of the framework of governance together with community focus, structures and processes, standards of conduct and service delivery arrangements.'* Audit Commission, *Worth the Risk: Improving Risk Management in Local Government*, (2001: 5)

2.2 Risk management is an essential feature of good governance. An organisation that manages risk well is more likely to achieve its objectives. It is vital to recognise that risk management is not simply about health and safety, but applies to all aspects of the Parish Council's work.

2.3 Risks can be classified into various types, but it is important to recognise that for all categories the direct financial losses may have less impact than the indirect costs such as disruption of normal working. The examples below are not exhaustive:

**Strategic Risk** – Long-term adverse impacts from poor decision-making or poor implementation. Risks damage to the reputation of the Parish Council, loss of public confidence, in a worst-case scenario Government intervention.

**Compliance Risk** – Failure to comply with legislation, laid down procedures or the lack of documentation to prove compliance. Risks exposure to prosecution, judicial review, employment tribunals and the inability to enforce contracts.

**Financial Risk** – Fraud and corruption, waste, excess demand for services, bad debts. Risk of additional audit investigation, objection to accounts, reduced service delivery, dramatically increased Council Tax levels/impact on Parish Council reserves.

**Operating Risk** – Failure to deliver services effectively, malfunctioning equipment, hazards to service users, the general public or staff, damage to property. Risk of insurance claims, higher insurance premiums, lengthy recovery processes.

2.4 These risks can be broken down further into specific areas which could impact on the achievement of the Parish Council's strategic objectives and day-to-day delivery of services:

**Political** – Those associated with the failure to deliver local, regional or national policy;

**Financial** – Those affecting the ability of the Parish Council to meet its financial commitments; failure of major projects; internal and external audit requirements; failure to prioritise and allocate resources effectively; poor contract management; initiative overload.

**Social** – Those relating to the effects of changes in demographic, residential, or socioeconomic trends on the Parish Council's ability to deliver its strategic priorities;

**Technological** – Those associated with the capacity of the Parish Council to deal with the pace/scale of technological change, or its ability to use technology to address changing demands. This includes the consequences of internal failures on the Parish Council's ability to deliver its objectives;

**Legal** – The ability of the Parish Council to meet legislative demands affecting breaches of legislation (UK & EU);

**Environmental** – Those relating to the environmental consequences of progressing the Parish Council's objectives in terms of energy-efficiency, pollution, recycling, emissions etc;

**Partnership/Contractual** – Those associated with the failure of partners/contractors to deliver services to an agreed cost and specification and similarly failure of the Parish Council to deliver services to an agreed cost and specification; compliance with procurement policies (internal/external); ensuring open and fair competition;

**Human Resources** – Those associated with the professional competence of staff; training and development; over-reliance on key personnel; ineffective project management; recruitment and selection issues;

**Organisational** – Those associated with the review of services and delivering continuous improvement;

**Health & Safety/Physical** – Those related to fire, safety, accident prevention and health & safety which pose a risk to both staff and the public; safeguarding and accounting of physical assets;

**Reputational** – Those associated with the changing needs of customers and the electorate; ensuring appropriate consultation; avoiding poor public and media relations.

Not all of these risks are insurable and for some the premiums may not be cost effective. Even where insurance is available, a monetary consideration might not be an adequate recompense. The emphasis should always be on eliminating or reducing risk before costly steps to transfer risk to another party are considered.

- 2.5 Risk is not restricted to potential threats but can be connected with missed opportunities. Good risk management can facilitate proactive, rather than merely defensive responses. Measures to manage adverse risks are likely to help with managing positive ones.

### **3. Why the Parish Council needs a Risk Management Strategy**

- 3.1 Risk management will strengthen the ability of the Parish Council to achieve its objectives and enhance the value of services provided.
- 3.2 The Risk Management Strategy will help to ensure that all Committees and service areas have an understanding of risk and that the Parish Council adopts a uniform approach to identifying and prioritising risks. This should in turn lead to conscious choices as to the most appropriate method of dealing with each risk, be it elimination, reduction, transfer or acceptance.
- 3.3 Strategic risk management is an important element in demonstrating continuous service improvement.
- 3.4 There is a requirement under the Accounts and Audit Regulations 2015 SI 2015/234, reg 3 to ensure that financial, operational and risk management is effective.

### **4. Risk Management Policy Statement**

Horseheath Parish Council recognises that it has a responsibility to manage risks effectively in order to protect its employees, assets, liabilities and community against potential losses, to minimise uncertainty in achieving its aims and objectives and to maximise the opportunities to achieve its vision.

The Parish Council is aware that some risks can never be eliminated fully and it has in place a strategy that provides a structured, systematic and focussed approach to managing risk.

Risk management is an integral part of the Parish Council's management processes.

## **5. Implementing the Strategy**

### **5.1 Risk Control**

Risk control is the process of taking action to minimise the likelihood of the risk event occurring and/or reducing the severity of the consequences should it occur. Typically, risk control requires the identification and implementation of revised operating procedures, but in exceptional cases more drastic action may be required to reduce the risk to an acceptable level.

Options for control include:

**Elimination** – The circumstances from which the risk arises are removed so that the risk no longer exists;

**Reduction** – Loss control measures are implemented to reduce the impact/ likelihood of the risk occurring;

**Transfer** – The financial impact is passed to others e.g. by revising contractual terms;

**Sharing** – The risk is shared with another party;

**Insuring** – Insure against some or all of the risk to mitigate financial impact; and

**Acceptance** – Documenting a conscious decision after assessment of areas where the Parish Council accepts or tolerates risk.

### **5.2 Risk Register**

The Strategic Risk Register will be regularly refined and updated as part of this Risk Management Strategy.

### **5.3 Risk Monitoring**

The risk management process does not finish with putting risk control procedures in place. Their effectiveness in controlling risk must be monitored and reviewed. It is also important to assess whether the nature of any risk has changed over time. The Risk Management Plan will be reviewed at least annually by the Full Council.

The information generated from applying the risk management process will help to ensure that risks can be avoided or minimised in the future. It will also inform judgements on the nature and extent of insurance cover and the balance to be reached between self-insurance and external protection.

#### **Training and Awareness**

Risk management training will be provided to councillors and employees annually. Training will include workshops, case studies and guidance on using the risk assessment matrix. Awareness

campaigns will ensure risk management remains a priority across all levels of the Council.

#### Communication and Public Accountability

This document will be published on the Council’s website to promote transparency and public accountability.

### 5.4 Risk Management System

**Risk Identification** – Identifying and understanding the hazards and risks facing the Parish Council is crucial if informed decisions are to be made about policies or service delivery methods. The risks associated with these decisions can then be effectively managed.

**Risk Analysis** – Once risks have been identified they need to be systematically and accurately assessed using proven techniques. Analysis should make full use of any available data on the potential frequency of events and their consequences. If a risk is seen to be unacceptable, then steps need to be taken to control or respond to the risk.

**Risk Prioritisation** - An assessment should be undertaken of the impact and likelihood of risks occurring, with impact and likelihood being scored Negligible (1), Low (2), Medium (3) and High (4).

		Impact			
		Negligible (1)	Low (2)	Medium (3)	High (4)
Likelihood	High (4)	4	8	12	16
	Medium (3)	3	6	9	12
	Low (2)	2	4	6	8
	Negligible (1)	1	2	3	4

The scores for impact and likelihood are scored as above. Risks scoring 12 and above will be subject to detailed consideration and preparation of a contingency/action plan to appropriately control the risk.

### 6. Roles and Responsibilities

6.1 It is important that risk management becomes embedded into the everyday culture and performance management process of the Parish Council. The roles and responsibilities set out below, are designed to ensure that risk is managed effectively right across the Council and its operations, and responsibility for risk is located in the right place. The process must be driven from the top but must also involve staff throughout the organisation.

6.2 **Councillors** – Risk management is seen as a key part of Councillors’ stewardship role and there is an expectation that Councillors will lead and monitor the approach adopted, including:

- i) Approval of the Risk Management Strategy;
- ii) Analysis of key risks in reports on major projects, ensuring that all future projects and services undertaken are adequately risk managed;
- iii) Consideration, and if appropriate, endorsement of the Annual Governance Statement
- iv) Assessment of risks whilst setting the budget, including any bids for resources to tackle specific issues.

6.3 **Employees** – will undertake their job within risk management guidelines ensuring that their skills, experience and knowledge are used effectively. All employees will maintain an awareness of the impact and costs of risks and how to feed information into the formal process. They will work to control risks or threats within their roles, monitor progress and report on task related risks to their line manager or the Clerk.

6.4 **The Clerk**– will act as the lead officer on risk management, assisted by the Council, and be responsible for overseeing the implementation of the Risk Management Strategy. The Clerk will:

- i) Provide advice as to the legality of policy and service delivery options; ii) Provide advice on the implications for service areas of the Parish Council’s strategic aims and objectives;
- iii) Update the Parish Council on the implications of new or revised legislation; iv) Assist in handling any litigation claims;
- v) In consultation with the Parish Council’s external advisors as necessary, provide advice on any human resource issues relating to strategic policy options or the risks associated with operational decisions and assist in handling cases of work-related illness or injury;
- vi) In consultation with the Parish Council’s external advisors as necessary, advise on any health and safety implications of the chosen or proposed arrangements for service delivery;
- vii) Assess and implement the Parish Council’s insurance requirements;
- viii) Assess the financial implications of strategic policy options;
- ix) Provide advice on budgetary planning and control;
- x) Ensure that the financial information systems and processes allow effective budgetary control;
- xi) Ensure the Parish Council’s Risk Register is maintained;
- xii) Effectively manage the Parish Council’s investment and loan portfolio.

6.5 **Role of Internal Audit** – Internal Audit provides an important scrutiny role by carrying out audits to provide independent assurance to the Parish Council that the necessary risk management systems are in place and all significant business risks are being managed effectively.

Internal Audit assists the Parish Council in identifying both its financial and operational risks and seeks to assist the Parish Council in developing and implementing proper arrangements to manage them, including adequate and effective systems of internal control to reduce or eliminate the likelihood of errors or fraud.

Internal Audit reports, and any recommendations contained within, will help to shape the Annual Governance Statement.

6.6 **Training** – The aim will be to ensure that both Staff and Councillors have the skills necessary to identify, evaluate and control the risks associated with the services they provide. Risk Management training and development is generally provided by the Local Association (CAPALC).

6.7 In addition to the roles and responsibilities set out above, the Parish Council is keen to promote an environment within which individuals and groups are encouraged to report adverse incidents promptly and openly.

## 7. Future Monitoring

7.1 **Review of Risk Management Strategy** – This Strategy will be reviewed annually by the Full Council.

## 8. Conclusion

The adoption of a sound risk management approach should achieve many benefits for the Parish Council. It will assist in demonstrating that the Parish Council is committed to continuous service improvement and effective corporate governance.

### RISK MANAGEMENT SCHEME

Impact			
Negligible (1)	Low (2)	Medium (3)	High (4)

<b>Likelihood</b>	High (4)	4	8	12	16
	Medium (3)	3	6	9	12
	Low (2)	2	4	6	8
	Negligible (1)	1	2	3	4

<b>Assessor</b>	<b>Abbreviation</b>
Full Council	FC
Chairman	C
Parish Clerk	PC
Responsible Financial Officer	RFO

<b>SUBJECT</b>	<b>RISK</b>	<b>MANAGEMENT/ CONTROL OF RISK</b>	<b>REVIEW, ASSESS, REVISE</b>	<b>ASSESSOR</b>
Financial Risk - loss of public funds	<p>Inadequate funds - precept too low.</p> <p>Inadequate record keeping</p> <p>Inadequate reporting of financial movements.</p> <p>Banking irregularities.</p>	<p>HPC have adopted the NALC Model Financial Regulations.</p> <p>The Clerk presents bi-monthly cashflow at full council meeting by way of monies received, cash book and bank reconciliation. The reports are viewed by all and signed by the Chairman at these meetings.</p> <p>Quarterly finance reports are produced and analysed by RFO and Council.</p> <p>Independent internal auditor to review policy and procedure.</p> <p>Budgeting work commences October in order to be ready for precept submission to SCDC in time for January deadline.</p>	<p>Reviewed Yearly</p> <p>Assessed Monthly, quarterly.</p> <p>Revised Annually at full Council.</p>	FC, C, PC, RFO
Members interests	<p>Conflict of interests</p> <p>Register of members interests</p>	<p>Declarations of interest by members at Council meetings.</p> <p>Register of members interests forms reviewed annually.</p>	<p>Reviewed Monthly</p> <p>Members take responsibility to declare their interests at meeting.</p>	FC

			SCDC update the register annually.	
Insurance and Assets	Adequacy of the policy	An annual review is undertaken of all insurance arrangements. Parish Council assets, Public Liability cover and cover for volunteer workers. The insurance arrangements are discussed at full council meeting prior to renewal.  Council members are responsible for the risk management of parish assets.	Reviewed Annually (Insurance Reviewed Monthly (assets))	FC, PC
Data protection	Policy provision	The Parish Council is registered with the Information Commissioners Office.	Reviewed Annual	PC
Freedom of Information	Policy provision	The Council has a Model Publication scheme in place. The Council is registered with the Information Commissioner. All FOI requests are dealt with by the standard process as set out by the Information Commissioner.	Reviewed Annually and as required.	PC
Transparency and accountability	Policy provision	The Council has adopted the Transparency Code 2015.	Reviewed Annual	PC
Maintenance (Play Park) Street Lighting	Poor Maintenance of assets or amenities	All assets owned by the Parish Council are regularly reviewed and maintained.  All repairs and relevant expenditure for any repair is actioned/authorised in accordance with the correct procedures of the Parish Council.  Assets are insured.	Reviewed Annually Assessed Monthly Revised as required	C, PC, Inspector
Meeting locations	Adequacy Health & Safety	The Parish Council meeting is held in a venue considered to have appropriate facilities for the Clerk, members and the general public.  The Reading Room conduct their own risk assessments.	Reviewed Annually Assessed twice monthly Revised as required	FC, PC
Council records – electronic	Loss through: Theft, fire damage or corruption of computer	The Parish Council's electronic records are stored on the Council laptop which resides at the clerk's home. The laptop is stored within a lockable metal cabinet when not in use. Back	Reviewed Annually Assessed Annually Revised as required	PC

		ups of electronic data are made at regular intervals via cloud storage.		
Lone Working	Physical injury to Clerk or Council members whilst working alone	See Lone Working Policy for full details of requirements.	Reviewed Annually Assessed Annually Revised as required	FC, PC
Loss of Key Personnel/over reliance on key individual	Loss of services of employee, or long term sickness.	The Clerk/Council have put in place detailed documented procedures and would contact CAPALC for support regarding a locum clerk should that be necessary	Reviewed Annually Assessed Annually Revised as required	FC
IT Failure	Loss of documents	Data backed up at the end of the working week. Good support from email and website company	Assessed Annually Revised as required	FC, PC
Legal Powers	Illegal activity.	Educate Council as to their legal powers.	Assessed Annually Revised as required	PC
Reserves	Ensure adequate reserves.	Consider when setting budget. Identify any allocated reserves and surplus funds to be earmarked as general reserves.  Council to identify an acceptable amount of reserves required for emergency purposes. Recommended by Financial Regulations to be 3-12 months operating costs.	Assessed Annually Revised as required	
Election Costs	Invoiced at agreed rate By- Election – extra costs needed.	RFO to check and consider budget ensuring adequate provision is made.  Adequate resources to be considered in the budget in the eventuality of a by-election.	Assessed Annually Revised as required	RFO, PC, FC
Minutes.	Ensure the minutes are accurate and legal.	Reviewed at following council meeting and signed and approved as a true record.	Assessed Annually Revised as required	PC, C
VAT	VAT analysis.	Ensure all items are listed in cash book and VAT returns are completed when have over £100 to reclaim to assist cash flow.	Assessed Annually Revised as required	RFO
Accounts	Employee could defraud Council	Accounts are audited independently by an auditor. All payments require 2 authorised Cllrs's to approve payments. All invoices must be signed by the RFO and chairman.	Assessed Annually Revised as required	RFO,